

SPECIAL

A global disaster

SEATTLE



The debacle in Seattle was a setback for freer trade and a boost for critics of globalisation

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PERHAPS it should be called the failed Clinton round. After all, the president wanted the round of trade-liberalisation talks that was meant to be launched in Seattle to bear his name. But efforts to kick off a new round broke down in acrimony on December 3rd. Most of the blame for that lies with Mr Clinton and his administration.

The fiasco tears yet another shred from Mr Clinton's tattered legacy. But, more important, it has dealt a huge blow to the World Trade Organisation and to prospects for freer trade. The WTO's credibility is lower than it has ever been. America shows little commitment to it; even Mr Clinton says he sympathises with its critics. The European Union is scarcely better: witness its lackadaisical efforts to comply with WTO rulings in the still-festering disputes with America over bananas and beef hormones. The Seattle summit has also raised doubts about whether the WTO's unwieldy structure and arcane procedures can cope with 135 member-countries all demanding their say. Moreover, it has worsened the deep divisions not only between America and Europe, but also between rich and poor countries about future liberalisation.

Worse still, the WTO's many critics, notably the trade unionists and environmentalists who brought Seattle to a standstill, are crowing that they derailed the round (see [article](#)). They are already mobilising to block China's entry to the WTO and to stymie its work of enforcing free-trade rules. They are

also redoubling efforts to hijack the WTO for their own ends.

Agreeing an agenda for a new round was always going to be difficult. The WTO was leaderless from May until September, when Mike Moore took over; his deputies were appointed only a few weeks before the Seattle meeting. Preparations for Seattle started late and little common ground was found. The gaps, for instance, between America and the EU over agriculture and between rich countries and poor ones over labour standards remained huge.

Even so, they were not unbridgeable. When the talks broke down a deal was within sight. One sticking point was agriculture: although the EU moved a long way, it still refused to endorse the aim of ultimately eliminating farm-export subsidies. Another was the refusal of developing countries to be steamrollered. But it was largely the Americans' fault that no deal was done.

Culprit one: Charlene Barshefsky, America's top trade negotiator, who insisted on chairing the talks as well as leading America's negotiating team. Her abrasive style proved ill-suited to achieving consensus. Many developing countries bridled at her clumsy attempts to impose an American-drafted deal that ignored their concerns.

Culprit two: President Clinton himself. First he infuriated almost all the government delegates by expressing his sympathy with the views of many of the anti-WTO demonstrators besieging Seattle. Then he told a Seattle newspaper that America's stated negotiating objective—to set up a WTO working party on trade and labour rights—was in fact a step towards a more contentious ultimate aim: to have the WTO enforce core labour standards with trade sanctions. His statement was later retracted. But the gaffe steeled developing countries' resolve to resist the inclusion on the agenda of labour issues, which they see as a pretext for rich-country protectionism. According to Sir Leon Brittan, until recently the EU's trade commissioner, Mr Clinton's intervention dealt a "body blow" to the negotiations.

Culprit three: Vice-President Al Gore. The administration's overriding aim in Seattle was to boost, or at least to avoid harming, Mr Gore's presidential campaign rather than to advance America's wider interest in launching a new round. This "no-body-bags" trade policy explains America's refusal to give any ground to developing countries in areas such as textiles and anti-dumping, as well as its hard line on labour issues. In the end, America chose to walk away from a potential deal rather than to make any compromises that might be politically risky.

Dead or alive

Officially, efforts to launch a new round are suspended rather than dead. Ms Barshefsky handed to Mr Moore a mandate to consult WTO governments with a view to restarting talks in Geneva next year. Until then, she said, countries' position papers were "frozen". However, Pascal Lamy, the EU's trade commissioner, soon contradicted her by declaring all the papers "dead". And with America's presidential election looming, a new round is unlikely to be launched

next year. For the same reason, sectoral negotiations on agriculture and services, which WTO members will start in Geneva in January, are unlikely to make any progress. Their prospects are clouded by the lack of agreed objectives or deadlines; nor is there much scope for the cross-sector trade-offs on which successful negotiations depend.

The stalling of multilateral trade liberalisation will doubtless give a new impetus to regional and bilateral efforts. The EU is likely to push harder for regional trade deals that grant it preferential access to foreign markets. Only recently, it signed such agreements with South Africa and Mexico. America too may pursue a mooted free-trade area of the Americas with greater vigour. Even Japan, which has until now resisted regional options, announced in the aftermath of the debacle in Seattle that it is to pursue a free-trade deal with Singapore.

Failure in Seattle also leaves the WTO's authority in ruins. To be sure, the multilateral trading system has survived such setbacks before. Efforts to launch a round failed in 1982, and the Uruguay round, launched in 1986, broke down repeatedly. But after the bruising—and still unresolved—battles between America and the EU over bananas and beef hormones, the damaging deadlock over appointing a new director-general and now the seize-up in Seattle, there is only so much more that the WTO can take.

One big worry is that America is increasingly tempted by unilateralism. Many in Congress, for instance, are itching to dole out more money to American farmers, threatening a re-run of the sort of export-subsidy war waged with the EU in the 1980s. Next year Congress will no doubt balk at complying with the WTO's ruling against America's tax breaks to exporters, which are worth some \$2 billion a year and of which Microsoft and Boeing are big beneficiaries. Such a refusal to accept the WTO's writ, combined with the EU's defiance over bananas and beef, could fatally damage the WTO's ability to enforce world trade rules. Indeed, a vote in Congress on withdrawal from the WTO is expected in March. Although a Yes vote is highly unlikely, the debate will scarcely bolster the WTO.

To make matters worse, the WTO's critics are now on the offensive. Their immediate aim is to block China's accession to the WTO, an issue on which Congress is expected to vote early next year. Even before Seattle this looked tricky, given the prevalence in Congress of protectionist and anti-Chinese views, and the pernicious influence of the presidential election campaign. But it is now looking still trickier. Trade unionists plan to use their leverage over Mr Gore to try to block the deal. A broad coalition against Chinese accession is likely to adopt tactics now familiar from the streets of Seattle.

Craig Van Grasstek, an expert on American trade politics, thinks Republicans in Congress may try to exploit the administration's discomfort and the Democrats' divisions by tying a big trade bill to the China vote. This could encompass, for example, a free-trade deal with Africa, which is supported by many Democrats who oppose Chinese accession.

The WTO's opponents will also redouble their efforts to win over public opinion,

lobby governments and elbow their way into the WTO's work. Their claim to have single-handedly derailed the Seattle summit is wrong. But by failing to launch a new round, governments have nevertheless allowed the WTO's opponents to make it seem that way. Unless America and the EU in particular now do more to fend off the threat they pose, free trade could yet fall victim to them.

LINKS

WTO Director-General Mike Moore has issued a post-summit [press release](#) outlining his response to the suspension of talks. Charlene Barshefsky's remarks at the closing plenary can be read [here](#).

The Economist Intelligence Unit produced a [diary](#) of the WTO meeting.

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